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In The

Supreme Court of the United States

October Term, 1965

No. 333

HULBURT OIL AND GREASE COMPANY,
an Illinois Corporation,
Petitioner

vs.

HULBURT OIL AND GREASE COMPANY,
a Pennsylvania Corporation,
Respondent

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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IN THE
SUPREME COURT OF THE UNITED STATES

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No.

Hulburt Oil and Grease Company,
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Petitioner

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Hulburt Oil and Grease Company,
a Pennsylvania Corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Hulburt Oil and Grease Company, an Illinois Corporation, prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in the above-entitled case on June 3, 1965.

CITATIONS TO OPINIONS BELOW

The Order of the district court is printed in the Record 33-36 and is unreported. The opinion of the

Circuit Court of Appeals, printed in Appendix B hereto, infra, pp. 12-17, is reported in 345 F. 2d

JURISDICTION

The Judgment of the Circuit Court of Appeals was entered on June 3, 1965, p. 17, infra. The jurisdiction of this Court is invoked under 28 U.S.C., Section 1254 (1).

QUESTION PRESENTED

Whether a Federal District Court has jurisdiction to exercise any discretion where the suit is barred by the Illinois statute applicable to the Illinois State Courts and the Federal District Court sitting in Illinois.

STATUTE INVOLVED

The statutory provisions involved are Ill. Rev. Stat. 1963, ch. 32, section 157.125. They are printed in Appendix A, infra, pp. 10-11.

STATEMENT

Respondent Pennsylvania corporation filed a Complaint against Petitioner Illinois corporation wherein it claimed that Petitioner had improperly taken its name (R. 1-10). The jurisdiction of the district court was invoked because of diversity of citizenship, the respondent being a citizen of Pennsylvania and the petitioner a citizen of Illinois (R. 1).

A Motion To Dismis the Complaint was filed (R. 16) by petitioner on the ground, among others, that the Complaint showed on its face that respondent is a foreign corporation transacting business within the State of Illinois without a certificate of authority so to do and, the respondent was therefore prohibited under the laws of the State of Illinois from bringing or maintaining this suit.

The Illinois Statute provides "no foreign corporation transacting business in this state without a certificate of authority shall be permitted to maintain an action at law or in equity in any court of this State, until such corpora-

tion shall have obtained a certificate of authority" (Appendix A).

The district court after hearing testimony and considering depositions issued a Preliminary Injunction (R. 35-36) against petitioner's use of its name. In its Order for Preliminary Injunction, filed September 9, 1964 nunc pro tunc as of September 3, 1964, the district court found as Finding of Fact Number 3 (R. 33):

> "3. That for a number of years prior to the filing of this suit and presently plaintiff has been and is doing business in Illinois, although it has not registered as a foreign corporation in said State."

The Seventh Circuit, on appeal from the issuance of the Preliminary Injunction, failed to consider the question that the Illinois district court was without jurisdiction to entertain the suit by virtue of the Illinois statute prohibiting the maintenance of an action such as this. The court below affirmed the order of the district court on the ground that a district court has discretion to issue or withhold a preliminary injunction without regard to deciding whether or not that court had jurisdiction to exercise discretion (Appendix B, infra, pp. 12-17).

Respondent had offered to franchise its name and lease its Illinois assets to petitioner's principal (R. 12-15). Under the law of Illinois it was necessary to incorporate defendant to have a contracting party to do business in Illinois (Appendix A, infra pp. 10-11).

REASONS FOR GRANTING THE WRIT

1. The decision of the court below in the instant case is directly in conflict with the decision of the Fourth Circuit Court of Appeals in *Rock-Ola Manufacturing Corporation v. Dan M. Wertz,* 249 F. 2d 813, 814 (C.A. 4, 1957), where it was held that a suit barred in the state court is likewise barred in a federal court sitting in that state as follows:

> "In Woods v. Interstate Realty Co., 1949, 337 U.S. 535, 69 S. Ct. 1235, 93 L. Ed. 1524, the Supreme Court put to rest all doubt as to the effect of qualification requirements upon the jurisdiction of Federal courts in diversity cases. If the doors of a State's court are properly shut to a foreign corporation, it is now settled that the corporation is likewise barred from suing, on the basis of diversity of citizenship, in a Federal Court sitting in that state. . . ."

This rule of law, adopted by the Fourth Circuit Court of Appeals, was advocated before the court below. The court refused to adopt such rule and sustained jurisdiction.

This Court held in *Woods v. Interstate Realty Co.,* 337 U. S. 535, 538, 69 S. Ct. 1235, 1237, 93 L. Ed. 1524, "that for purposes of diversity jurisdiction a Federal court is 'in effect, only another court of the State . . .'" This holding was based on the premise that where one is barred from recovery in the state court he should likewise be barred in the federal court. The contrary result would

create discriminations against citizens of the state in favor of those authorized to invoke the diversity jurisdiction of the federal courts.

---

2. The conflict between the Fourth and Seventh Circuits persists. In a like situation the Seventh Circuit in *General Industries Co. v. 20 Wacker Drive Bldg. Corporation,* 156 F. 2d 474, 476, recognized the Illinois law denying a foreign corporation the right to sue where it had not complied with the statute of Illinois which permits such corporation to do business in Illinois. The Seventh Circuit there said (p. 476):

> ". . . we think it clear that the State of Illinois may deny to a foreign corporation the right to sue in its courts to enjoin a domestic corporation from using a name similar to that of the foreign corporation where such foreign corporation has not complied with the statute of Illinois which permits such corporation to do business in the State . . ."

But the Seventh Circuit went on to hold (p. 476): that while the foreign corporation may be effectively foreclosed:

> ". . . from any remedy in the courts of Illinois, it does not follow that the Federal courts were also closed to the [foreign corporation] . . ."

Thus the Fourth Circuit holding that a foreign corporation barred in the state court is also barred in the federal court is contrary to the holdings in the Seventh Circuit that a foreign corporation barred in the state court is not barred in the federal court.

3. Although the judgment below is not a final one, it is appropriate for review because it involves an issue

"fundamental to the further conduct of the case": *United States v. General Motors Corp.*, 323 U.S. 373, 377, 65 S. Ct. 357, 359, 89 L. Ed. 311, 318. It is true that ordinarily the decree of a district court granting or denying a preliminary injunction will not be disturbed on appeal. But that rule of practice has no application where, as here, there is an insuperable objection to the maintenance of the suit in point of jurisdiction and where it clearly appears that the decree was the result of an improvident exercise of judicial discretion: *Myers v. Bethlehem Shipbuilding Corporation*, 303 U.S. 41, 52, 58 S. Ct. 459, 464, 82 L. Ed. 638, 645.

The Complaint admits in Paragraph 3 (R. 2) that respondent manufactures products in its plants situated in Benton, Illinois. The court below found, fact number 3 (R. 33), that respondent has for a number of years been doing business in Illinois and not registered as a foreign corporation in Illinois. Nothing more needs to be proved or shown. These are insuperable facts to the maintenance of the suit in point of jurisdiction.

The Supreme Court of the State of Michigan in *Biltmore Homes, Inc. v. French*, 373 Mich. 693, 130 N.W. 2d 907, 910, decided November 2, 1964 under a similar situation where there was an unregistered foreign corporation doing business, held, it is not necessary ". . . to hear the whole case. That would be of course to dilute the statute still more, requiring the parties supposedly protected by the law to go to the expenses of full litigation before it could be known if such protection against unlicensed corporations amounted to anything."

The Illinois statute mandates that no foreign corporation illegally doing business in Illinois shall be permitted to *maintain* an action at law or in equity.

4. The decision of the court of appeals, affirming the district court, results in a refusal to follow the decisions of the Supreme Court of the State of Illinois. The decisions of the federal courts below are not a reasonable and permissible result. The Illinois Supreme Court held in the *Hazelton Boiler Company v. The Hazelton Tripod Boiler Company*, 142 Ill. 494, 505, 30 N.E. 339, that a foreign corporation can not, in the Illinois courts, contest the right of a domestic corporation to the corporate name given it by Illinois in its articles of incorporation. In fact, the Illinois Supreme Court has upheld the right of the Illinois Secretary of State to refuse a certificate of authority to a foreign corporation where its parent foreign corporation with such a certificate of authority consents to the issuance thereof: *The Investors Syndicate of America, Inc. v. Edward J. Hughes, Secretary of State*, 378 Ill. 413, 421, 38 N.E. 2d 754.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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June, 1965.

APPENDIX A

Ill. Rev. Stat. 1963, ch. 32, Section 157.125 is as follows:

No foreign corporation transacting business in this state without a certificate of authority shall be permitted to maintain an action at law or in equity in any court of this State, until such corporation shall have obtained a certificate of authority. Nor shall an action at law or in equity be maintained in any court of this State by any successor or assignee of such corporation on any right, claim or demand arising out of the transaction of business by such corporation in this State, until a certificate of authority shall have been obtained by such corporation or by a corporation which has acquired all or substantially all of its assets.

The failure of a foreign corporation to obtain a certificate of authority to transact business in this State shall not impair the validity of any contract or act of such corporation, and shall not prevent such corporation from defending any action at law or suit in equity in any court of this State.

A foreign corporation which transacts business in this State without a certificate of authority shall be liable to this State, for the years or parts thereof during which it transacted business in this State without a certificate of authority, in an amount equal to all fees, franchise taxes, penalties and other charges which would have been imposed by this Act upon

such corporation had it duly applied for and received a certificate of authority to transact business in this State as required by this Act, but failed to pay the franchise taxes which would have been computed thereon, and thereafter filed all reports required by this Act; and in addition thereto it shall be liable for a penalty of ten per cent of such filing fee, license fee and franchise taxes. The Attorney General shall bring proceedings to recover all amounts due this State under the provisions of this section.

APPENDIX B

The opinion of the United States Court of Appeals for the Seventh Circuit filed June 3, 1965, before Hastings, Chief Judge, and Knoch and Kiley, Circuit Judges is as follows:

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

September Term, 1964—April Session, 1965

No. 14916

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

Hulburt Oil and Grease Company,
a Pennsylvania Corporation,

Plaintiff-Appellee,

v.

Hulburt Oil and Grease Company,
an Illinois Corporation,

Defendant-Appellant.

Appendix B

June 3, 1965

Before Hastings, *Chief Judge,* and Knoch and Kiley, *Circuit Judges.*

Knoch, *Circuit Judge.* Plaintiff-appellee, Hulburt Oil and Grease Company, a Pennsylvania corporation, brought this action in the United States District Court to determine the defendant's right to use the name "Hulburt Oil and Grease Company" in the State of Illinois.

Defendant asserts that plaintiff may not maintain this action because plaintiff is a foreign corporation which has been transacting business in Illinois without a Certificate of Authority and hence plaintiff is barred by Illinois Statute from maintaining this action in a court sitting in Illinois. Ill. Rev. Stat. 1963, ch. 32, §157.125.

In its complaint the plaintiff has alleged the following facts. Plaintiff had been incorporated in Pennsylvania in 1910 as "C. Hulburt and Company, Incorporated," succeeding to the business conducted there since approximately 1861, as the sole proprietorship of a family with the surname "Hulburt." In 1918, the corporate name was changed to "Hulburt Oil and Grease Company" under which plaintiff had continuously engaged in business up to the present time.

John R. Michael had been an official of plaintiff from 1919 until his resignation on or about December 31, 1959, since when he had served plaintiff as a consultant on a continuous and paid basis, and he had been a minority stockholder of plaintiff, until about May 7, 1964.

Appendix B

John R. Michael had been succeeded as General Manager of plaintiff by his son, David H. Michael, on or about May 1, 1955. David Michael had also served as Secretary-Treasurer of plaintiff from about February 7, 1956 until about May 10, 1964, remaining an employee and a minority stockholder till about May 7, 1964.

Another son of John R. Michael, J. Graham Michael, was also a minority stockholder until about May 7, 1964. Howard A. Walters was plaintiff's General Sales Manager from about September, 1960, until his resignation on or about April 2, 1964.

Plaintiff, represented solely by David Michael as Director, General Manager and Secretary-Treasurer, purchased real estate and property in Benton, Illinois, for plaintiff's use as a plant to manufacture and pack industrial lubricants, beginning in the summer of 1963. Title to the Benton property vested in plaintiff December 31, 1963, formal notification of recording on December 31, 1963, being given to David Michael, then General Manager of plaintiff, on or about January 3, 1964.

After they had terminated their relationship with plaintiff on or about May 21, 1964, John R. and David H. Michael and Howard A. Walters, without knowledge or consent of plaintiff, caused the defendant to be incorporated in Illinois with the same corporate name and purposes as plaintiff, although they had a valid properly named corporate vehicle, Michael-Walters Industries, Inc., incorporated in Illinois on or about April 23, 1964, with similar corporate purposes.

Plaintiff asserts that its General Manager was charged with the responsibility not only of determining the loca-

tions at which plaintiff would manufacture its product but also of seeing to it that plaintiff was qualified to do business in such locations.

Plaintiff charges that David Michael, and his father before him, wilfully and improperly failed to qualify plaintiff to do business in Illinois, in violation of their duties and responsibilities; that all three former officials wilfully and improperly placed themselves in a position to register plaintiff's distinctive and reputable name as their own, putting themselves into competition with plaintiff in Illinois in violation of the settlement agreement whereby David H. Michael and John R. Michael (who prior thereto had agreed not to compete with plaintiff at all) were now empowered to compete with plaintiff but only in a "lawful manner."

The District Court found that John R. Michael, who had been employed for a number of years as General Manager (and in other official positions) of plaintiff, had caused defendant corporation to be organized although under his and his son's management plaintiff had been doing business in Illinois without being registered as a foreign corporation in Illinois, and despite John R. Michael's duty to protect plaintiff's name in Illinois for plaintiff's use, with no right in himself to acquire the name; that he thus interfered with plaintiff's business, doing so for the improper purpose of preventing plaintiff from qualifying to do business in Illinois.

The District Judge concluded that a preliminary injunction was necessary to prevent immediate irreparable damage to plaintiff. Accordingly a preliminary injunction was granted

* * * against defendant, its officers, agents, representatives, servants, employees and attorneys and all persons, firms and corporation in active concert, privity or participation with it, enjoining and restraining defendant, pending the termination of this action or until further order of this Court from:

(a) Using the name "Hulburt Oil and Grease Company" as its corporate name and title or as a trade name, or in any other way which might interfere with the business being conducted by the plaintiff under that name, and from using any other name so nearly similar thereto as to cause or tend to cause confusion in the minds of the public between the plaintiff and the defendant;

(b) Using the word "Hulburt" as any part of either its corporate name or title or any trade name, or in any other way which might interfere with the business being conducted by the plaintiff under that name, and from so using any other so nearly similar thereto as to cause or tend to cause confusion in the minds of the public between the plaintiff and defendant; * * *

This injunction was conditioned on plaintiff's filing bond in the sum of $10,000 to pay such costs and damages as might be incurred by defendant should it be found that defendant had been wrongfully enjoined.

Defendant has appealed on the ground, as indicated above, that plaintiff is barred by statute from bringing its action because it has not qualified to do business under its name in Illinois, regardless of the circumstances which have made such qualification impossible.

At this stage of the proceedings we need not decide whether defendant is or is not estopped from raising this particular defense.

A motion for preliminary injunction is directed to the District Court's sound discretion. *Doeskin Products v. United Paper Co.*, 7 Cir., 1952, 195 F. 2d 356, 358. In equity suits a District Court has a wide discretion to issue or withhold a temporary injunction and ordinarily this Court will not interfere. *Cosentino v. United Bro. of Carpenters etc.*, 7 Cir., 1959, 265 F. 2d 327, 331, unless it appears that there was an abuse of discretion. *National Grain Yeast Corp. v. City of Crystal Lake*, 7 Cir., 1945, 147 F. 2d 711, 713; *In re South State Street Bldg. Corp.*, 7 Cir., 1943, 140 F. 2d 363, 366, cert. den. 322 U. S. 761.

On the facts as pleaded and on the facts as found by the District Judge, we find no abuse of discretion in the Trial Court's action to maintain the status quo, with an adequate bond for defendant's protection, pending final determination of this matter.

The order of the District Court is affirmed.

Affirmed.

A true Copy:

Teste:

.....

Clerk of the United States Court of Appeals for the Seventh Circuit.

SUPREME COURT, U.S.

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HULBURT OIL AND GREASE COMPANY,
an Illinois Corporation,
Petitioner,

v.

HULBURT OIL AND GREASE COMPANY,
a Pennsylvania Corporation,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit.

BRIEF FOR THE RESPONDENT IN OPPOSITION.

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QUESTION PRESENTED FOR REVIEW.

The issue as framed by Petitioner assumes that the present suit would be barred in the courts of Illinois by the Illinois statute and somehow confuses the operation of the Illinois statute with the concept of "Jurisdiction." The assumption itself glibly resolves the true question presented. That question is:

Does the bar of Section 157.125 of the Illinois Business Corporation Act apply to prevent a foreign nonqualified corporation from maintaining an action in equity to recover its corporate name and good will, wrongfully appropriated by a domestic Illinois corporation recently organized by the foreign corporation's former officer, director, stockholder and general manager, for the express purposes of making it impossible for such foreign corporation to so qualify and of appropriating its business, name and good will in the State of Illinois?

STATEMENT.

In its Statement, Petitioner omits the facts upon which the District Court and the Court of Appeals based their decisions. This case does not involve the simple legal question of whether a corporation barred from the Illinois courts under the Business Corporation Act will nevertheless be permitted to maintain an action for unfair competition in the federal courts sitting in Illinois against a domestic Illinois corporation with an identical name. The primary question is whether under the peculiar facts and circumstances presented, Petitioner will be permitted to avail itself of the benefits of the statute. Thus the relationships between the parties and the purposes for which Petitioner was formed are the heart of the issue. These facts are summarized below.

Defendant was organized by John R. Michael in May 1964 (Pltf. App. p. 61). Prior thereto Mr. Michael had been General Manager of plaintiff as well as an officer, director and shareholder (Pltf. App. pp. 2-3). In May 1964 Mr. Michael sold his stock to plaintiff for a large sum of money and severed all connections with plaintiff (Def. App. pp. 29-32). Mr. Michael's purpose in organizing defendant was to prevent plaintiff from becoming qualified as a foreign corporation authorized to transact business and own property in the State of Illinois (Pltf. App. pp. 31-32, 6-9) although, as he well knew, plaintiff had been doing business in the state for many years and had recently acquired a substantial manufacturing facility there (Pltf. App. pp. 3, 31-32).

The District Court's Findings of Fact which have not been challenged state (Def. App. pp. 33-34):

> 1. That John R. Michael caused the defendant corporation to be organized.
>
> 2. That prior to the incorporation of the defendant said John R. Michael was employed for a number

of years as General Manager of the plaintiff and as an officer thereof.

3. That for a number of years prior to the filing of this suit and presently plaintiff has been and is doing business in Illinois, although it has not registered as a foreign corporation in said State.

4. That John R. Michael had the duty to protect the plaintiff's name for the plaintiff in the State of Illinois and had no right to acquire the name for himself.

5. That in incorporating the defendant in Illinois in the plaintiff's name said John R. Michael interfered with the business of the plaintiff.

6. That the organization and incorporation of the defendant in the name of the plaintiff in Illinois was for the purpose of preventing the plaintiff from qualifying to do business in said State; that such purpose is not a proper corporate purpose.

7. That by so incorporating defendant in plaintiff's name plaintiff was prevented from qualifying to do business in Illinois upon its application to the Secretary of State of Illinois; that plaintiff's title to property located in Benton, Illinois, will or may be jeopardized; and that plaintiff has been and will be seriously injured if defendant's name is not changed as prayed for by plaintiff.

8. That defendant, by incorporating in Illinois in the name of plaintiff, has put itself in a position to secure the benefits of, or to cause injury to, the business of plaintiff.

Upon these findings the District Court concluded that the Illinois statute did not bar the maintenance of the ac-

tion (Def. App. p. 35). Similarly the Court of Appeals concluded (Pet. App. B. p. 17):

> "On the facts as pleaded and on the facts as found by the District Judge, we find no abuse of discretion in the Trial Court's action to maintain the status quo, with an adequate bond for defendant's protection pending final determination of this matter."

Petitioner's assertion that plaintiff had offered a franchise to its principal, John R. Michael, thereby necessitating its incorporation (Pet. Brief p. 5), is in direct conflict with all the evidence, including the testimony of Mr. Michael himself (Pltf. App. pp. 26-32). The District Court, on the contrary, found that defendant was organized for an inequitable and improper purpose.

As admitted by counsel for defendant (Pltf. App. p. 17):

> "I think they understand that they cannot simply hold the corporation to deny to the plaintiff the right to qualify."
>
> * * *
>
> "The name Hulburt is certainly no use to the defendant. The defendant is absolutely foreclosed from selling the Hulburt Products. The Hulburt name belongs to the company. It may have been that the Michaels' built up that company over the years, but they sold their stock and they recognize they have no moral or legal right to it."

ARGUMENT.

I. The Decision Below Is Not in Conflict With Another Court of Appeals on the Same Matter.

Petitioner asserts that the decision of the Court below is in conflict with the decision of the Fourth Circuit in *Rock-Ola Mfg. Corp. v. Dan M. Wertz,* 249 F. 2d 813 (4th Cir. 1957). In that case an unregistered foreign corporation attempted to use the Federal courts sitting in the state to collect a debt. It was apparent there, and so held, that under the corporation law of the state the doors of the state courts would have been closed to the plaintiff on the claim asserted. The court held that since the state courts were closed, the federal courts sitting within the state were closed as well, citing *Woods v. Interstate Realty Co.,* 337 U. S. 535, 93 L. Ed. 1524 (1949). That issue is not involved in the decision of the court below.

Broadly stated the issue in this case is whether the District Court abused its discretion in granting the preliminary injunction and preserving the status quo pending final determination of the matter. Implicit within this is the question of whether Section 157.125 of *The Illinois Corporation Code,* Ill. Rev. Stat. 1963, ch. 32, section 157.125 (Pet. App. A pp. 10-11), bars the maintenance of any action by an unregistered foreign corporation regardless of the circumstances of its failure or inability to register or the nature of the action. The District Court rejected that contention and after a recitation of the peculiar facts of this case concluded that "plaintiff is not barred by virtue of the provisions of Chapter 32, Section 157.125 of Smith-Hurd Illinois Annotated Statutes, from filing said suit. . . ." (Def. App. p. 35). The Court of Appeals found

the action of the District Court to be proper stating (Pet. App. B p. 17):

> "On the facts as pleaded and on the facts as found by the District Judge, we find no abuse of discretion in the Trial Court's action to maintain the status quo, with an adequate bond for defendant's protection pending final determination of this matter."

It is therefore apparent that the issue presented in *Rock-Ola Mfg. Corp. v. Dan M. Wertz,* 249 F. 2d 813 (4th Cir. 1957) was not reached by the courts below since it was not concluded in this case that the doors of the State courts were closed to plaintiff. Accordingly, there is no conflict between these decisions.

The citation of the decision of the Seventh Circuit Court of Appeals in *General Industries Co. v. 20 Wacker Drive Bldg. Corp.,* 156 F. 2d 474 (7th Cir. 1946), as evidencing a conflict between the circuits is of no significance here. As pointed out above, the issue of whether, when the state courts are properly closed, the doors of the federal courts sitting therein are likewise closed, is not involved in this action. Thus, even if there were a conflict between circuits on that issue, it would be totally irrelevant to this case. There is no such conflict in any event. This Court passed upon the issue in *Woods v. Interstate Realty Co.,* 337 U. S. 535, 93 L. Ed. 1524 (1949) and, as required by the principle of *stare decisis,* the Court of Appeals of the Fourth Circuit in *Rock-Ola Mfg. Corp. v. Dan M. Wertz,* 249 F. 2d 813 (4th Cir. 1957), followed the principles announced in *Woods.* The decision of the Court of Appeals of the Seventh Circuit in *General Industries* was rendered three years before this court's expression in *Woods.* There is no reason to suppose that if the Seventh Circuit were now to be presented with the issue, it would do other than follow the principle announced by this Court in *Woods.*

II. The Court of Appeals Below Has Not Decided a Federal Question in a Way in Conflict With Applicable Decisions of This Court.

Petitioner suggests that the Court of Appeals failed to decide an important federal question in accord with the decision of this Court in *Woods v. Interstate Realty Co.*, 337 U. S. 535, 93 L. Ed. 1524 (1949). However, as demonstrated above, this appeal does not involve a federal question and is unrelated to the issue presented in *Woods*. The courts below applied Illinois law and determined that under Illinois law it was proper for the action to proceed.

III. The Court of Appeals Below Has Not Decided an Important State Question in a Way in Conflict With Applicable State Law.

There is no Illinois decision specifically determining the precise issue presented by this case. The District Court properly looked to and followed the settled, fundamental principles of equity enunciated in many Illinois decisions. If a bar to Respondent's action were to exist, it would arise solely from Petitioner's incorporation of which Respondent complains and which the District Court found to be for a wrongful purpose. Thus, Petitioner seeks to use the very wrongful act in issue as a barrier to Respondent obtaining relief therefrom.

This case is one where the jurisdiction of an Equity Court, and injunctive relief are peculiarly appropriate. A Court of Equity may always shape its remedy to meet the demands of justice, however peculiar the case. 3 *Pomeroy's Equity Jurisprudence*, § 910 (5th Ed. 1941); *Nikola v. Campus Towers*, 303 ILL. APP. 516, 525, 25 N. E. 2d 582 (1940); *Back v. Nelson*, 271 ILL. APP. 137 (1933); *Skelly Oil v. Universal Products Co.*, 338 ILL. APP. 79, 84, 86, N. E. 2d 875 (1949).

The defense asserted here, in any event, is not jurisdictional, but merely in abatement (*Emcee Corp. v. George*,

293 Ill. App. 240, 245, 12 N. E. 2d 333 (1938); and is waived if not asserted. Equity will not permit a plea in abatement to be made an instrument to shield a fraud. 3 *Pomeroy's Equity Jurisprudence,* § 921 (5th Ed. 1941). Rather, the doctrine of Equitable Estoppel will be applied to prohibit the wrongdoer from raising a defense based on his wrongdoing. *Lincoln Park Arms Building Corporation v. U. S. Fidelity & Guaranty Co.,* 287 Ill. App. 520, 531, 5 N. E. 2d 773 (1936); *Laughlin v. Irwin,* 262 Ill. App. 40, 54; *Jennings v. Bituminous Casualty Corp.,* 47 Ill. App. 2d 243, 249, 197 N. E. 2d 513, 517 (1964); *Malloy v. City of Chicago,* 369 Ill. 97, 104, 15 N. E. 2d 861 (1938); 19 *American Jurisprudence, Estoppel,* Section 41, page 640. In 19 *American Jurisprudence, Estoppel* p. 634, § 34 it is stated that:

> "Equitable estoppel or estoppel *in pais* is a term applied to a situation where, because of something which he has done or omitted to do, a party is denied the right to plead or prove an otherwise important fact * * *."

and at p. 638, § 39:

> "The proper function of equitable estoppel is the prevention of fraud, actual or constructive, and the doctrine should always be so applied as to promote the ends of justice and accomplish that which ought to be done between man and man."

These principles and their underlying philosophy are further embodied in Section 19 of Article II of the Illinois Constitution which requires that every person who has suffered a wrong be afforded a remedy. Illinois courts have repeatedly held that a court of equity will supply a remedy where the law does not. Thus, in *Skelly Oil Company v. Universal Products Co.,* 338 Ill. App. 79, 86 N. E. 2d 875 (1949) the court read the aforesaid constitutional provision as a mandate to provide a remedy against a fraud even where a statute failed to provide one. The *Skelly* rule is completely applicable to the instant case.

There are well reasoned and persuasive decisions from other jurisdictions applying these basic equitable principles to situations similar to that here presented, among them *Scalise, et al. v. National Utility Service, Inc.,* 120 F. 2d 938 (5th Cir. 1941) and *General Film Co. of Missouri v. General Film Co. of Maine,* 237 F. 64 (8th Cir. 1916) which are squarely in point with the instant case.

In the *Scalise* case, *supra,* the plaintiff below, National Utility (hereinafter "National") was a New York corporation which had done business for some years in Florida without properly qualifying. Among National's Florida transactions was a contract with *Scalise* which *Scalise* allegedly breached. National brought suit against *Scalise* in Florida's state court and *Scalise* pleaded a Florida statute making the nonqualification of a foreign corporation a ground for abatement of a Florida action comparable to the Illinois statute here in question. The state court stayed the action pending qualification of National in Florida but when National attempted to do so, it found that Scalise, during the interim, had organized a Florida corporation with an identical name, thus preventing National's qualification. National then brought action in the Federal District Court seeking an injunction to enjoin Scalise from using its name and thereby precluding it from qualifying, as well as compensatory and punitive damages. It was met with the defense, among others, that its loss of its right to qualify was the result of its wrongful action of having done business in Florida without first qualifying, just as the plaintiff in the case at bar is met with such a defense here. The trial court granted the injunctive relief sought and a jury awarded both compensatory and punitive damages. An appeal was then taken and the Circuit Court affirmed the lower court in all respects. In so holding the court commented, 120 F. 2d at p. 940:

> ". . . It is the law too, *not only in Florida but generally elsewhere* that it is a wrongful act to organize a domestic corporation by the same name as that al-

ready known to be used in the state by a foreign corporation *although the foreign corporation is not domesticated, but is doing business, in the state without a permit,* and an injunction will issue, not merely after the charter has been obtained to prevent the use of the name in unfair competition, but to restrain the procuring or issuing of the charter under the proposed name or if the charter has been issued, to restrain the use of the name. 13 Am. Jur., Sec. 135, page 273; *Peck Bros. & Co. v. Peck Bros. Co.,* 7 Cir., 113 F. 291, 62 L. R. A. 81; *General Film Co. v. General Film Co.,* 8 Cir., 237 F. 64; *Children's Bootery v. Sutker,* 91 Fla. 60, 107 So. 345, 44 A. L. R. 698. The evidence showing that defendant applied for a corporate charter, not only with full knowledge that plaintiff was doing business in the state under the same name, but for the sole purpose of interfering with and preventing plaintiff from prosecuting its suit under that name against defendant in the state court, it is perfectly clear that the injunction restraining the use by defendant of plaintiff's corporate name was properly ordered." (Emphasis supplied.)

The *Scalise* opinion was premised in part upon *The Peck Bros. & Co. v. Peck Bros. Co.,* 113 Fed. 291 (7th Cir., 1902). *Peck* considered whether a lately formed Illinois corporation was immune to action by an older, identically named, Connecticut corporation. Reversing the trial court, the Circuit Court ordered that injunctive relief be granted to the Connecticut corporation, since it appeared that the organizers of the Illinois corporation had formerly been connected with the Connecticut corporation and were scheming to appropriate its name. Defendant argued that the sovereignty of the State of Illinois had conferred the name upon the Illinois corporation, thereby preventing relief being granted the older corporation. The court said, 113 Fed. at p. 300:

". . . [T]he term 'sovereignty' . . . can confer upon individuals no right to perpetrate wrong. Nor do we think that the sovereignty of the State of Illinois sought to do that. . . . The sovereign by the act of incorporation adjudges neither the legality of the business proposed, nor of the name assumed. . . . And how is the sovereignty of a great state impugned by the denial to incorporators of a right to perpetrate such a wrong? . . . We cannot bend our judgment to the conclusion that a sovereign state designed thus to confer immunity for wrong. . . ."

In *General Film Co. v. General Film Co.*, 237 Fed. 64 (8th Cir. 1916), defendant, a Maine corporation did business in Missouri while unqualified in violation of law. Several individuals, learning of this, incorporated plaintiff corporation in Missouri for the same purposes and sought to enjoin the Maine corporation from transacting business in Missouri. The Maine corporation counterclaimed, seeking an injunction against plaintiff's use of its name by the Missouri corporation and the Missouri corporation asserted defendant's nonqualification as a defense on the counterclaim. In holding this defense to be without merit, the Court stated in part, 237 Fed. at p. 66:

". . . A corporation . . . is therefore charged with the duty of not selecting a name for fraudulent purposes. It is the duty of courts of equity to enforce the observance of this rule. Plaintiff, however, says that it got its name from the state. . . . *The complete answer to that contention is that plaintiff selected its name to accomplish a fraudulent purpose. A Court of equity cannot be stayed in its duty to protect property rights by means of such a subterfuge as the plaintiff has practiced.* . . . [T]he act of taking out a corporate charter, although it invokes the authority of the state, cannot be made use of for purposes of fraud. If it is made use of for that purpose, the fact that the charter was obtained from the state cannot de-

prive a court of equity of its power to prevent fraud and protect property rights. . . ." (Emphasis supplied.)

Accord: Red Seal Refining Co., et al v. Red Seal Refining Corp., 115 Okla. 63, 241 P. 762 (1925); *Western Auto Supply Co. v. Western Auto Supply Co.,* 13 F. Supp. 525 (N. H. 1936), where the court said, 13 Fed. at p. 528:

"A foreign corporation can restrain the use by a domestic corporation of a tradename similar to its own when such name is chosen by the domestic corporation with the notice of the name and business of the foreign corporation even though the latter has obtained no authorization to do business in the state. This principle of law is based upon the prevention of fraud. . . ."

U. S. Light and Heating Company of Maine v. U. S. Light and Heating Co. of New York, 181 F. 182 (S. D. N. Y., 1910), another decision of similar import, is noteworthy because it contains the discerning views of the Honorable Learned Hand. There the statute involved was determined to apply to contract actions alone; however, Judge Hand's comments on the facts, which strikingly parallel the undisputed circumstances of the instant case, provide strong support for the decisions here involved. Judge Hand said, 181 Fed. at p. 183:

"Upon the merits, I have no doubt that Moore's effort was either to embarrass the New Jersey company by preventing it from getting a New York license, or to set up a business which would divert or disarrange complainant's business. The case is quite devoid of the usual excuses and defenses, and seems to me to be a more impudent effort by a retiring or discharged employee to seize part of the business than I have ever before met with. An especially flagrant fact is that Moore organized the company, which is the most obvious cover for himself alone—while he was yet in the employ of the New Jersey company. . . ."

By substituting the name "Michael" in place of "Moore" Judge Hand's observations might well have been a description of the situation presented in the case here. Of course, Judge Hand enjoined the defendant company from using the plaintiff's corporate title.

The District Court in the instant case properly exercised its own sound judgment as to the determination that the courts of Illinois would make of this issue. *Daily v. Parker,* 152 F. 2d 174 (7th Cir. 1945). Since that decision is in accord with the general weight of authority throughout the United States and is properly founded and based upon the general law of Illinois and the fundamental principles of equity recognized by the Illinois' courts, it was properly sustained. *Wisconsin Screw Co. v. Fireman's Fund Insurance Company,* 297 F. 2d 697 (7th Cir. 1962).

The instant case does not involve any unique principle or matter of public importance, and therefore should not concern this Court. It is simply a case where defendant's cynical attempt to create a shield from his own wrongdoing was given the short shrift it deserved.

CONCLUSION.

The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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